

Message Text

UNCLASSIFIED

PAGE 01 HALIFA 00242 071812Z

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00 FPC-01
H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01
PM-04 USIA-15 OES-07 SP-02 SS-15 STR-04 TRSE-00
ACDA-10 /116 W

-----071813Z 101144 /46

P 071810Z JUN 77

FM AMCONSUL HALIFAX

TO SECSTATE WASHDC PRIORITY 1658

INFO AMEMBASSY OTTAWA

UNCLAS HALIFAX 0242

E O 11652: N/A

TAGS: ENRG EIND PLOS CA

SUBJECT: WHITE PAPER ON NEWFOUNDLAND'S OFFSHORE OIL AND GAS

REF: HALIFAX A-10

1. NFLD'S MINES AND ENERGY MINISTER, BRIAN PECKFORD, PRESENTED WHITE PAPER AND DRAFT REGULATIONS ON DEVELOPMENT AND ADMINISTRATION OF PROVINCE'S OFFSHORE OIL AND GAS RESOURCES TO PROVINCIAL HOUSE OF ASSEMBLY ON MAY 25. AIM OF NEW REGULATIONS IS TO ASSURE NFLD GETS A 75 PERCENT SHARE OF ALL TAXES AND ROYALTIES COLLECTED FROM DEVELOPMENT OF OFFSHORE HYDROCARBON DEPOSITS.

2. WHITE PAPER AND DRAFT REGULATIONS NOT YET RECEIVED HERE. WHEN RECEIVED, COPIES WILL BE SENT EMB OTTAWA AND EUR/CAN. ACCORDING PUBLISHED PRESS REPORTS, MUCH OF WHITE PAPER IS COMPARISON BETWEEN POTENTIAL BENEFITS TO MARITIME PROVINCES UNDER TERMS OF RECENT MEMORANDUM OF AGREEMENT SIGNED BY MARITIME PROVINCES AND GOC (HALIFAX 0049) ON UNCLASSIFIED

UNCLASSIFIED

PAGE 02 HALIFA 00242 071812Z

OFFSHORE OIL AND BENEFITS TO NFLD UNDER TERMS WHICH NFLD IS NOW PROPOSING. WHITE PAPER CLAIMS THAT, ALTHOUGH MARITIMES-GOC DIVISION OF REVENUES IS OSTENSIBLY ON BASIS OF A 75/25 SPLIT, MARITIMES IN FACT WILL GET ONLY 25 PERCENT OF "TOTAL GOVERNMENT TAKE" AND REST WILL GO TO OTTAWA.

3. NFLD'S PROPOSED NEW REGULATIONS WOULD ASSURE LION'S SHARE OF REVENUES TO PROVINCE THRU A VARIETY OF MEANS: A BASIC ROYALTY, AN ADDITIONAL SLIDING SCALE ROYALTY BASED ON PROFITABILITY, PROVINCIAL CORPORATE INCOME TAX, AND A FULL 40 PERCENT PROVINCIAL INTEREST IN EACH LEASE. WITH RESPECT TO LAST OF THESE MEANS, PROVINCE PLANS ESTABLISH PROVINCIAL CROWN CORPORATION TO BE KNOWN AS NEWFOUNDLAND AND LABRADOR PETROLEUM BOARD (NLPB) WHICH WOULD HOLD CROWN'S 40 PERCENT INTEREST AND SIT ON OPERATING COMMITTEES OF ALL LEASES. THIS PERCENTAGE SHARE OF VALUE OF NET PRODUCTION WOULD NOT BECOME OPERATIVE, HOWEVER, UNTIL AFTER EACH PRIVATE LESSEE HAD RECOVERED INVESTMENT TWO AND ONE-HALF TIMES.

4. OTHER MAJOR OBJECTIVES OF DRAFT REGULATIONS AS GIVEN IN PECKFORD'S STATEMENT TO HOUSE OF ASSEMBLY (COPIES OF WHICH HAVE BEEN POUCHED EMB OTTAWA AND EUR/CAN) ARE SIMILAR TO THOSE LISTED IN PENULTIMATE PARAGRAPH OF REPAIR.

5. COMMENT: ALTHOUGH THE TOTAL TAKE FROM THE OIL COMPANIES WOULD BE ABOUT THE SAME UNDER NFLD'S NEW DRAFT REGULATIONS AS IT WOULD BE UNDER AN ARRANGEMENT LIKE THAT BETWEEN THE MARITIMES AND THE GOC, IT IS LIKELY THAT THE OIL COMPANIES WOULD PREFER A MARITIMES-TYPE ARRANGEMENT ADMINISTERED BY THE GOC. NFLD CLAIMS, HOWEVER, THAT THE GOC'S REGULATIONS HAVE BEEN LAX, IMPRUDENT, AND A GIVEAWAY. A MAJOR AIM OF THE

UNCLASSIFIED

PAGE 03 HALIFA 00242 071812Z

NEW DRAFT PROVINCIAL REGULATIONS, THEREFORE, IS TO ESTABLISH A REGULATORY FRAMEWORK WITHIN WHICH DEVELOPMENT OF THE OFFSHORE HYDROCARBON RESOURCES CAN TAKE PLACE AT A MODERATE AND MEASURED LEVEL, THUS MAXIMIZING AND PROLONGING THE BENEFITS WHICH WILL ACCRUE TO NFLD. ALTHOUGH THIS WOULD RESTRICT THE OIL COMPANIES' FREEDOM OF ACTION, THEY ARE NOT OPENLY OPPOSING IT. THE DETERMINATION OF THE PROVINCE TO BE MASTER IN ITS OWN HOUSE IS CLEAR, AND UNTIL THE FEDERAL/PROVINCIAL JURISDICTIONAL DISPUTE OVER THE OWNERSHIP OF NFLD'S OFFSHORE SHELF IS RESOLVED, THE OIL COMPANIES ARE NOT SEEKING TO ANTAGONIZE EITHER SIDE. END COMMENT.

MOORE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OFFSHORE DRILLING, OILS, BRIEFING MATERIALS, GASES
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977HALIFA00242
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770202-1091
Format: TEL
From: HALIFAX
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770684/aaaacvkd.tel
Line Count: 111
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 02a3bf83-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 HALIFAX A-10
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2252400
Secure: OPEN
Status: NATIVE
Subject: WHITE PAPER ON NEWFOUNDLAND'S OFFSHORE OIL AND GAS
TAGS: ENRG, EIND, PLOS, CA
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/02a3bf83-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009